

Message Text

SECRET

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47

ACTION SS-30

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FM AMEMBASSY KUWAIT

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INFO AMEMBASSY ABU DHABI

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USMISSION OECD PARIS

AMEMBASSY TEHRAN

S E C R E T KUWAIT 2050

EXDIS

STATE ALSO FOR T/IEP

EO 11652: GDS

TAGS: ENRG, KU

SUBJ: KUWAIT BUY-BACK NEGOTIATIONS

REF: KUWAIT 2021

1. AFTERNOON MAY 22 KUWAIT OIL COMPANY MANAGER STRAND BROUGHT
ME COPY OF PAPER MINISTRY FINANCE AND OIL'S ALI KHALIFA HANDED
TO RALSTON (GULF) AND SUTCLIFFE (BP) AT NOON SAME DAY JUST
PRIOR DEPARTURE OF COMPANY REPS ONCE MORE FOR LONDON. PAPER
CONTAINS FOLLOWING "FINAL OFFER":

A. JANUARY 1 TO MAY 31, 1974

PRICE: \$10.85 - 94 PERCENT OF POSTED PRICE

CREDIT: ONE MONTH AFTER END OF MONTH OF LIFTINGS.

B. JUNE 1 TO JUNE 30, 1974

PRICE: \$10.95 - 94.8 OF POSTED PRICE

CREDIT: AS ABOVE.

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2. PAPER INCLUDES EXPLANATION THAT MINISTRY'S "FINAL OFFER"

IS LESS THAN "JUSTIFIABLE" PRICES AND CREDIT TERMS BUT IS
DESIGNED TO:

"A. MINIMIZE DISRUPTION TO COMPANIES' SUPPLY PROGRAMS IF
GOVERNMENT ADJUSTS FOR CRUDE OVER-LIFTED BY COMPANIES, AND

B. AVOID CREATING SHORTAGES IN THE CRUDE MARKETS DUE TO REDUCED
KUWAITI PRODUCTION RESULTING FROM COMPANIES FAILURE TO AGREE
TO FAIR AND REASONABLE BUY-BACK PRICES."

3. STRAND SAID RALSTON AND SUTCLIFFE TOOK PAPER AND DEPARTED
WITHOUT COMMENT.

4. IN NEGOTIATING PRICE BOTH COMPANIES AND GOK USED QATAR
40 DEGREE API CRUDE AS BASE AND APPLIED DIFFERENTIALS FOR MARKET
VALUE OF PRODUCTS TO DETERMINE "APPROPRIATE" PRICE FOR KUWAITI
31 DEGREE API CRUDE. COMPANIES WANTED TO SUBTRACT 80 CENTS
FROM QATAR PRICE OF \$11.54 (I.E. 93 PERCENT QATAR POSTED PRICE)
WHICH WOULD BE \$10.74 WHICH EQUIVALENT TO 93 PERCENT KUWAIT
POSTED PRICE. GOK USED DIFFERENT FORMULA WHICH RESULTED IN 30
CENT DIFFERENTIAL. FINALLY, HOWEVER, GOK OFFERED "COMPROMISE"
FIGURE OF 69 CENTS WHICH WE NOTE IS CLOSER TO ORIGINAL COMPANY
FIGURE OF 80 CENTS THAN IT IS TO ORIGINAL GOK FIGURE OF 30
CENTS. GOK MUST CONSIDER, THEREFORE, THAT IT HAS GONE LONG WAY
TOWARD COMPROMISE.

5. EARLIER IN DAY RALSTON AND SUTCLIFFE TOLD ME MINISTER
FINANCE AND OIL ATIQUI ACCOMPANYING THEM ON SAME PLANE TO LONDON
WHERE MEETING BETWEEN ATIQUI AND BRITISH MINISTER OF FUEL AND
ENERGY HAS TENTATIVELY BEEN ARRANGED.

6. COMPANY REPS ALSO SAID THEY HAD FRIENDLY BUT NONCOMMITTAL
HALF-HOUR MEETING WITH ATIQUI EVENING OF MAY 21. MAIN POINT OF
INTEREST WAS ATIQUI OPINION THAT PRESTIGE OF GOK RAISED AS
RESULT ITS SUCCESS IN ACHIEVING PASSAGE OF PARTICIPATION
AGREEMENT THROUGH NATIONAL ASSEMBLY. (LOCAL EXPECTATION IS
AMIR WILL SIGN AGREEMENT INTO LAW MAY 26). ATIQUI ALSO
INDICATED GOVERNMENT, AND HE PERSONALLY, IN MORE RELAXED MOOD
NOW THAT AGREEMENT PASSED.

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7. COMMENT: GOK AND ATIQUI HIMSELF MAY WELL BE FEELING THEIR
OATS AT MOMENT AS RESULT PARTICIPATION PASSAGE THROUGH NATIONAL
ASSEMBLY, BUT I RETAIN MY NOTION (EXPRESSED PARA FIVE REFTEL)
THAT IN DOING SO, BOTH HAVE DRAWN DOWN POLITICAL CREDIT WITH
CANTAKEROUS NATIONAL ASSEMBLY AND THAT DAY OF RECKONING WILL
COME. POWERFUL NATIONAL ASSEMBLY OPPONENTS OF PARTICIPATION
AGREEMENT HAVE ALREADY COME OUT WITH STATEMENT THEY WILL FIGHT
FOR NATIONALIZATION COME WHAT MAY. WE HAVE WORD THAT SAUDI

GOVT REP WAS IN TOWN DAY OR TWO AGO TO GAIN FIRST HAND INFO ON
NEW PARTICIPATION ARRANGEMENTS IN KUWAIT. IF SAUDIS AND ARAMCO
NOW AGREE TO ANYTHING SUGGESTING 100 PERCENT SAUDI OWNERSHIP
OF ARAMCO STOCK, AND KUWAITIS GET WIND OF IT, THAT DAY
MAY COME SOONER THAN ATIQI THINKS.
STOLTZFUS

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